

CONDO / PUD PROJECT Limited and Full Review Requirements

The following requirements apply for all project approvals:

LIMITED REVIEW REQUIREMENTS:

Eligibility is based on specific loan level criteria, including LTV, occupancy and the method by which the loan is evaluated and decided.

A project must meet the following requirements to be eligible for a Limited Review:

- The project must meet the requirements of the General Warranty of Project Eligibility section within [B4-2.1-01, General Information on Project Standards \(07/26/2011\)](#).
- The project is not an ineligible project in accordance with [B4-2.1-02, Ineligible Projects \(05/28/2013\)](#).
- The project does not consist of manufactured homes.
- The project must be an established project as described in [B4-2.2-01, Condo Project Eligibility \(06/28/2011\)](#).
- The project is covered by insurance in accordance with the types of insurance described in [Subpart B7, Insurance](#).
- If property is an established project a limited review can be performed if the project is 100% complete including common areas.
- If the property is a detached condo, a limited review is acceptable on primary residences and second homes when manually underwritten or submitted to DU or LP.

The following **are not eligible** for a Limited Review:

- Mortgages secured by attached units in new condo projects, whether they are manually underwritten or submitted to DU/LP.
- Mortgages secured by attached condo units that are investment properties.

LENDER FULL REVIEW REQUIREMENTS:

All condo projects must comply with the general requirements listed in [B4-2.2-04, Lender Full Review: General Eligibility Requirements for All Condo Projects \(12/01/2010\)](#). The project must meet the legal requirements addressed in [B4-2.2-13, Condo Project Review and Legal Document Requirements \(08/21/2012\)](#).

Project Eligibility:

- The project is not a newly converted non-gut rehabilitation project, a new project that contains any units with less than 400 square feet
- **No more than 15%** of the total units in a new or established project may be 30-days or more delinquent on condominium/HOA fee payments.
- The project must be located on one contiguous parcel of land, but may be divided by a public street. The structures within the project must be within a reasonable distance from each other.
- **No more than 20%** of the total square footage of the project can be used for commercial purposes.

Additional Eligibility Requirements for Established Projects:

- If the subject property is an investment property, at least 51% of the total units in the project must have been conveyed to principal residence purchasers or second home purchasers. Financial institution-owned REO units that are for sale, not rented, may be counted as owner-occupied units to meet the 51% requirement.

Project Budget Requirements:

- Includes appropriate allocations for line items pertinent to the type and status of the condo;
- Provides for the funding of replacement reserves for capital expenditures and deferred maintenance (at least 10% of the budget); and
- Provides adequate funding for insurance deductible amounts.
- Utilities: The individual units should be separately metered although this is not required. If they are not, having multiple units on a single meter must be common and customary in the local market and the budget must include adequate funding for utility payments.

Note: Limited reviews are only available on a spot loan basis and not as part of multiple originations secured by units in the same project.

Attached Condo Units

To be eligible, the Lender must warrant that:

The project is an established project which is defined as:

- 90% or more of the units conveyed (closed) to owners; and
- Construction and/or conversion is complete; and
- The project has been turned over to the homeowners association by the developer.
- The loan is not an LP Agency Jumbo;

Maximum LTV/CLTV/HCLTV: Subject to DU/ LP

DU Approve/Eligible Loans	LP Accept Loans
Primary Residence: 80% / 80% / 80%	Primary Residence: 90% / 90% / 90%
Second Home: ≤75% / 75% / 75%	Second Home: ≤75% / 75% / 75%
Investor: Not Permitted – Full Review Required	Investor: Not Permitted- Full Review Required

Homeowners Association Certification completed by the HOA or CondoCerts.com (Note: if condo association information obtained through CondoCerts.com the information must be no older than 45 days).

PROPERTY INSURANCE: The project must be covered by appropriate hazard, general liability, **FIDELITY BOND (aka –Crime Policy, Employee Dishonesty) if more than 20 units**, and, if applicable, flood insurance.

Assessments: The HOA assessments must begin on a specific date, and once established, the developer must be responsible for the assessments attributable to the unsold units.

Completion Status: The project, or the subject legal phase, must be "substantially complete." This means that a certificate of occupancy (or other substantially similar document) has been issued by the applicable governmental agency for the project or subject phase and that all the units in the building in which the unit securing the mortgage is located are complete, subject to the installation of "buyer selection items" such as appliances. Individual units must be available for immediate occupancy at loan closing.

Conversions: All rehabilitation work involved in a condominium conversion must have been completed in a professional manner.

- For new conversion projects (including those legally created during the past 3 years) that do not involve gut rehabilitation, the project must provide an engineer's report or other similar report for review.

- Lender must verify that all necessary repairs are complete and replacement reserves are identified for all capital improvements and noted as adequate by the party evaluating the project. The appraiser or other licensed professional must state that the project is structurally sound, and the conditional and remaining useful life of the major project components (roof, elevators, mechanical systems, plumbing, electricity, etc.) are sufficient to meet the residential needs of the project.

Project Budget Requirements: The project must provide most recent audited financials, operating budget or projected budget for review. Lender must verify that the budget includes allocation for line items pertinent to the type of condo, provides for the funding of replacement reserves for capital expenditures and deferred maintenance **at least 10% of the budget**, and provides adequate funding for insurance deductible amounts. The budget must be consistent with the nature of the project and have appropriate assessments established to manage the project. If the project was recently converted, the developer must have initially funded a working capital fund in an amount consistent with the estimated remaining life of the individual common elements

Presales: At least 70% of the total units in the project or subject legal phase must have been conveyed or be under a bona fide contract for purchase to owner-occupant principal residence or second home purchasers, not including the developer or its successor. For a specific legal phase (or phases) in a new project, **at least 70% of the total units in the subject legal phase(s)**, considered together with all prior legal phases, must have been conveyed (or be under contract to be sold) to owner occupant principal residence or second home purchasers, not including the developer or its successor. For the purposes of this review process, a project consisting of one building cannot have more than one legal phase and any one building in a project comprised of multiple buildings cannot be subject to more than one legal phase.

PROJECT LEGAL DOCUMENTS:

- Amendments that have a material adverse impact on first lien mortgagees must be agreed to by mortgagees that represent 51% of the units subject to first lien mortgages.
- Any action to terminate the legal status of the project or use insurance proceeds for any purpose other than to rebuild must be agreed to by mortgagees that represent 51% of the units subject to first lien mortgages.

Note: The documents may allow approval to be assumed when the mortgagee of record fails to submit a response to a written proposal for an amendment within 60 days of receipt of notice, provided it was sent via certified, registered or return receipt mail.

- The mortgagee/guarantor must have the right to timely written notice of condemnation, casualty loss, 60-day delinquencies in payment of assessments, lapse, cancellation or material modification of the HOA insurance policies, or any action that requires consent of a percent of the mortgagees.
- The project documents must not give a unit owner or any other party priority over any rights of the first mortgagee in the case of payment of proceeds from termination or insurance proceeds or condemnation awards for losses to or a taking of condo units or common elements.

Waiver of Right of First Refusal: Any right of first refusal in the Condominium Project Documents may not adversely impact the rights of a mortgagee or its assignee to:

- Foreclose or take title to a Condominium Unit pursuant to the remedies in the Mortgage, or
- Accept a deed or assignment in lieu of foreclosure in the event of default by a mortgagor, or
- Sell or lease a unit acquired by the mortgagee or its assignee.

ADDITIONAL ELIGIBILITY REQUIREMENTS FOR 2-4 UNIT PROJECTS:

- ❖ All units, common elements, and facilities within the project—including those that are owned by any master association—must be 100% complete
- ❖ No single entity (the same individual, investor group, partnership, or corporation) may own more than one unit within the project.
- ❖ All but one unit in the project must have been conveyed to owner-occupant principal residence or second home purchasers.

Documentation Requirements:

- Completed Condo/PUD Project Questionnaire

- Proposed annual budget / most recent audited financial statements
- Public Offering Plan or equivalent (e.g., the Declarations, CC&Rs, the Master Deed and Bylaws) and any amendments for new and newly converted projects
- Engineer's or Architect's Report for newly converted projects.
- Ground lease, if applicable

PROPERTIES SUBJECT TO AGE RESTRICTIONS

If a housing development has an age restriction, it must comply with one of the following Fair Housing Act exemptions:

Government Housing Programs

The prohibitions against discrimination on the basis of age or familial status do not apply with respect to dwellings provided under any STATE OR FEDERAL PROGRAM specifically designed and operated to assist the elderly or to house elderly persons. The Secretary of HUD must determine that the development meets this exemption.

Age Restrictions - 62 years of age or older

The prohibitions against discrimination on the basis of age or familial status do not apply with respect to dwellings intended for, and solely occupied, by persons 62 years of age or older.

Age Restrictions - Any age restriction

The prohibitions against discrimination on the basis of age or familial status do not apply with respect to dwellings intended and operated for occupancy by person 55 years of age or older provided that **all** of the following apply:

- At least 80% of the occupied units are occupied by persons 55 years of age or older, and
- The housing facility or community publishes and adheres to policies and procedures that demonstrate the intent to provide housing to persons 55 years of age or older, and
- The housing facility or community can provide documentation for verification of occupancy, by means of:
 - Reliable surveys and affidavits;
 - Examples of published written policies and procedures for determination of compliance with the Act.

Required Documents for Age Restricted Properties

When it is determined that a housing development is subject to age restrictions, the Homeowners Association must complete and sign the form Housing Developments Subject to Age Restrictions Form. By signing this form the association certifies that the housing development is in compliance with the Fair Housing Act.

The fully executed form must be included in the HOA underwriting package for review.

One of the following Project Type codes must be assigned:

Lender Full Review – New Projects (including 2-4 unit projects):

- ✓ Fannie Mae Type R
- ✓ Freddie New Project – J (NOTE: projects with less than 5 units are not eligible as new projects.)

Lender Full Review – Established Projects (including 2-4 Unit Projects):

- ✓ Fannie Mae Type – S
- ✓ Freddie Established Project – I
- ✓ Freddie 2-4 Unit Project – L
- ✓ Freddie Detached Project – K

HARP

- ✓ Fannie Mae DU Refi Plus – V
- ✓ Freddie Mac LP Open Access – V